

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7179

BILL NUMBER: HB 1268

DATE PREPARED: Dec 26, 2000

BILL AMENDED:

SUBJECT: Motor Vehicle Excise Tax collections.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the Motor Vehicle Excise Tax is due and payable to the county treasurer in two installments coinciding with the semiannual installments of property taxes. It establishes payment procedures for vehicle owners who do not pay property taxes. The bill provides that in the case of a vehicle that has been acquired or brought into the state, or for any other reason becomes subject to registration, the tax is due and payable to the county treasurer of the county of the owner's residence at the time the vehicle is acquired, brought into the state, or otherwise becomes subject to registration. This bill also makes conforming amendments.

Effective Date: January 1, 2002.

Explanation of State Expenditures: The Bureau of Motor Vehicles' (BMV) expense for collecting excise tax would be eliminated under this bill. However, the new administrative requirements contained in this bill would increase state expenditures. Specifically, the BMV would be required to provide each county auditor with all information or assistance necessary to perform the excise tax calculations. The BMV would also be required to develop the capacity to interface their computers with the county treasurers to verify excise tax payment before a vehicle could be registered. Additionally, the State Tax Board would establish excise tax collection procedures.

The Bureau of Motor Vehicles is funded from the state Motor Vehicle Highway Account and the State Tax Board is funded through the state General Fund.

Explanation of State Revenues: Under current law, Motor Vehicle Excise Tax is paid at the same time as the vehicle is registered with the BMV. The BMV deposits the excise tax directly into the counties' accounts after retaining a \$1.15 fee for each excise tax collection. The fee is deposited into the state License Branch Fund which is administered by the Bureau of Motor Vehicles Commission (BMVC). The BMVC retained a total of \$6.4 M in CY 1999 from the collection of excise tax. There were 4.6 M vehicles registered in

Indiana in 1999 that were subject to excise tax and there was a total of 5.5 M transactions where excise tax was collected. If the number of registered vehicles and transactions are similar when this bill would take effect in 2002, the BMVC would lose about \$6.4 M per year in fee revenue.

The BMVC also currently retains a \$3 fee for processing Excise Tax refunds. Under the proposal, the BMVC would no longer process refunds or receive a processing fee.

The BMVC would not receive any fee revenue for providing the administrative services required under this bill.

Explanation of Local Expenditures: County treasurers would face increased expenditures under this proposal for billing and collection of the Motor Vehicle Excise Tax. The excise tax billings would be separate from property tax billings. The increase in expenditures would vary by county and is indeterminable. Expenditure items could include postage, computer changes, and additional staff costs.

Explanation of Local Revenues: Under this proposal, the county treasurer would collect Motor Vehicle Excise Tax in two semiannual installments each year. The collections would be made along with property taxes by May 10 and November 10 each year. Vehicle owners could register their vehicles after paying the first installment of excise tax.

Under current law, counties receive excise tax money throughout the year. Excise tax is currently paid by corporations in January and individuals pay the tax from February through October, depending on the first letter of their last name. The May 10 and November 10 payment due dates contained in this bill would slow the flow of excise tax receipts to the counties. This, in turn, would reduce interest earnings.

Under this proposal, credits, allowances, and charges for partial year excise tax would be discounted at a rate of 8.3% per month rather than the current 10%. This provision could slightly increase or reduce local excise tax revenue, depending on the types and amounts of partial payments made and credits received.

Currently, the excise tax on a newly acquired vehicle or a vehicle brought into the state is reduced by 10% for each month since the registrant's regular renewal month. The 8.3% per month discount under this bill would increase excise tax collections on these vehicles.

Also a registrant may claim a partial credit or refund of excise tax on a vehicle that is sold. The credit or refund is equal to the tax paid and reduced by 10% for each month since the registrant's regular renewal month. The 8.3% per month discount under this bill would increase the credit or refund amount on these vehicles.

Under current law, a registrant may claim a partial refund of excise tax on a vehicle that is destroyed and not replaced. The credit or refund is equal to 10% of the tax paid for each month remaining in the registration year. The 8.3% per month refund rate under this bill would reduce the refund amount on these vehicles.

State Agencies Affected: Bureau of Motor Vehicles; State Tax Board; State Board of Accounts.

Local Agencies Affected: County Treasurers; County Auditors.

Information Sources: *1999 Annual Registration Statistics, BMV; 1999 Cash Audit, BMV.*